USMC Strategic Purchasing Initiatives Update

LR, I&L

Jun 2006

USMC Business Transformation Group:

Agenda Topic Overview

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Topic: USMC Strategic Purchasing Initiative

Type Brief: Decision

Objectives:

- ✓ Information: **Strategic Purchasing Initiative (SPI)**
- ✓ Decision: **SPI Programmatic Budget**

Required Decisions:

- ❑ SPI Decision

Agenda

- **Marine Corps Programmatic Overview**
- **Marine Commodity Team Lessons Learned**

Marine Corps Commodity Team

Programmatic Overview

SPI Mission

Conduct an **end-to-end** review of Marine Corps product and service acquisition practices in order to identify opportunities for improvement.

Coordinate the development, approval, and implementation of action plans based on the following approaches:

(1) Coordination with other related initiatives
(2) Process mapping and analyses
(3) Spend analyses ***– Strategic Sourcing***

What is Strategic Sourcing?

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Definition:

Strategic sourcing is the collaborative and structured process of ***critically analyzing an organization's spending*** and using this information to make business decisions about ***acquiring*** commodities and services ***more effectively and efficiently.***

Marine Corps Approach

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Two-Tiered Approach

- ***Tier I (USMC Lead)*:** Standard CC approach for a commodity, warranted by volume or areas of opportunity specific to the Marine Corps

- ***Tier II (Other Service Lead/ USMC Participation)*:** Long-term liaison with other Service CC's in order to leverage Marine Corps needs through partnership with other Services

Commodity Team Timeline

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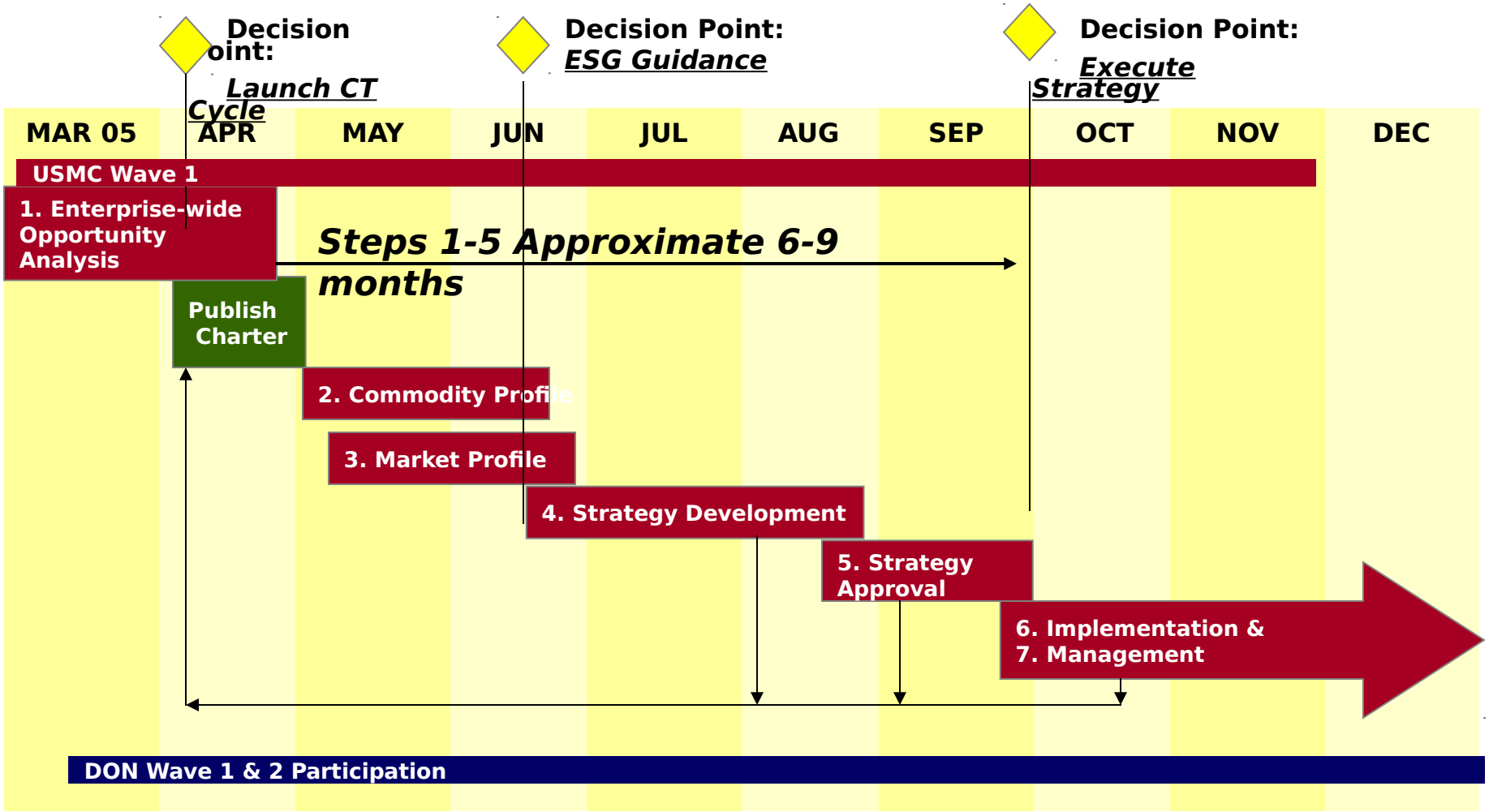

Current Reduced Program

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- **Planned way ahead as of Jun ’06**
  - Opportunity Assessment to prep for FY 07
  - Supporting IT CT (restart support in Jul ’06)
  - Support Clothing (II) CT (requested by LP)

Marine Corps Commodity Team

Lessons Learned

Why the CT process works Hidden Lessons Learned

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- Provides a ***fresh perspective*** on the friction points of a typically good procurement process by utilizing a structured, analytical and collaborative methodology
- ***Adds a sense of urgency*** by facilitating stakeholder discussion of issues that are often tabled due to other day to day priorities
- ***Identifies superstitions*** within organization: brings good people from different sections together to address what the process *really* does
- ***Critical Mass*** – Lean team but small full time cadre

Why the CT process works Text Book Lessons Learned

- Detailed understanding: the supply market *from the perspective of market participants* (i.e., suppliers viewpoint)
- Detailed understanding: organization spend, drivers of spend, & Total Cost of Ownership
- Participants in the procurement process to take a problem solving and continuous improvement approach to their daily jobs

Questions?

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BACKUP SLIDES

SPI FEA Worksheet

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10/26/05

FYDP PROFILE

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	Total
Process Baseline								
Appropriation								
(+) Investment KTR	0.6	0.8	0.7	0.5	0.5	0.2	0.1	3.4
(+) Investment Chg Mgt	0.18	0.36	0.23	0.1	0.1	0.1	0.1	1.17
(+) Investment Prog Off	0.01	0.15	0.15	0.36	0.36	0.36	0.36	1.75
Gross Investment	***0.79***	***1.31***	***1.08***	***0.96***	***0.96***	***0.66***	***0.56***	***6.32***
(-) Savings Wave IA	0.04	2.9	5	3.2	3.1	3.7	5.4	23.34
(-) Savings Wave IB	0	0	6	12	17	17	17	69
(-) Savings Wave II	0	0	0	0	5	10	15	30
(-) Savings Cell Phones	0.65	0.9	1.06	1.06	1.06	1.06	1.06	6.85
Gross Savings	**0.69**	**3.8**	**12.06**	**16.26**	**26.16**	**31.76**	**38.46**	**129.19**
Net Savings	**-0.1**	**2.49**	**10.98**	**15.3**	**25.2**	**31.1**	**37.9**	**122.87**
Impact on								
Endstrength (FTE (+/-)		SPI Wave	=	IT CT + Clothing QH CT + Office Equipment QH CT				
Active		SPI Wave	=	Professional Services CT + Maintenance of Equipment				
Reserve		SPI Wave	=	To be determined CT's to be defined later in FY 06				
Civilian								
Contractor ($)								

Appropriation = $2.8 Billion

Timeline in December '05

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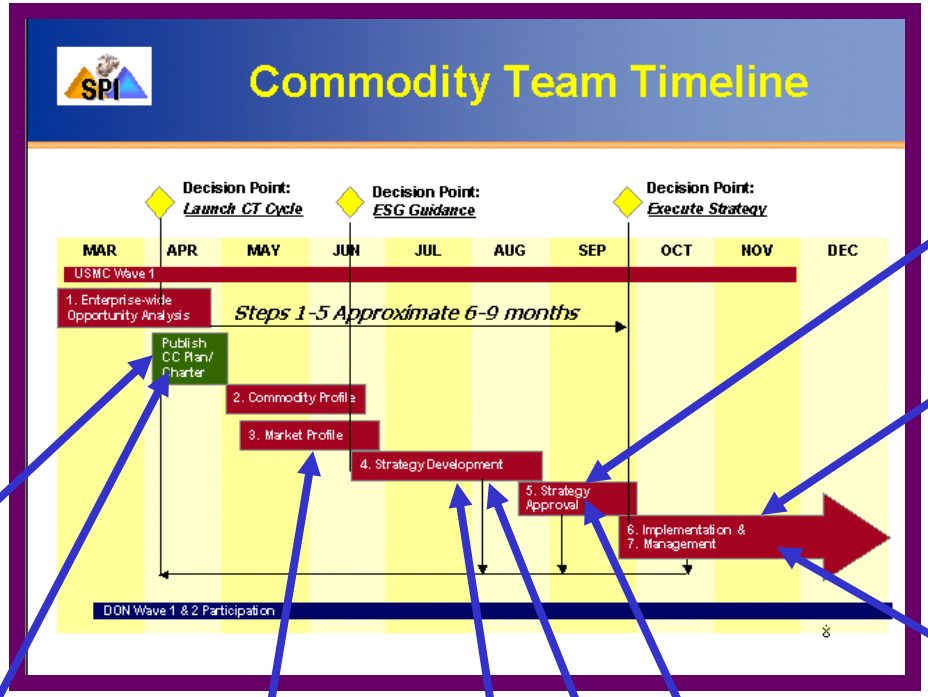

DWSS Adm Services

Prototype (1/04)

Office Supplies Navy (1/05)

Cell Phones: Identified $1.3 million savings & more to come

DoN Cell Phones

2nd Clothing (12/05) - LP

Professional Services (IB)

Maintenance of Equipment (IB)

Metals (6/05)

Terminated 8/05

IT (1A)

Office Equipment (8/05)

1st Clothing (6/05)

Revised Timeline in July '06

Jul 06

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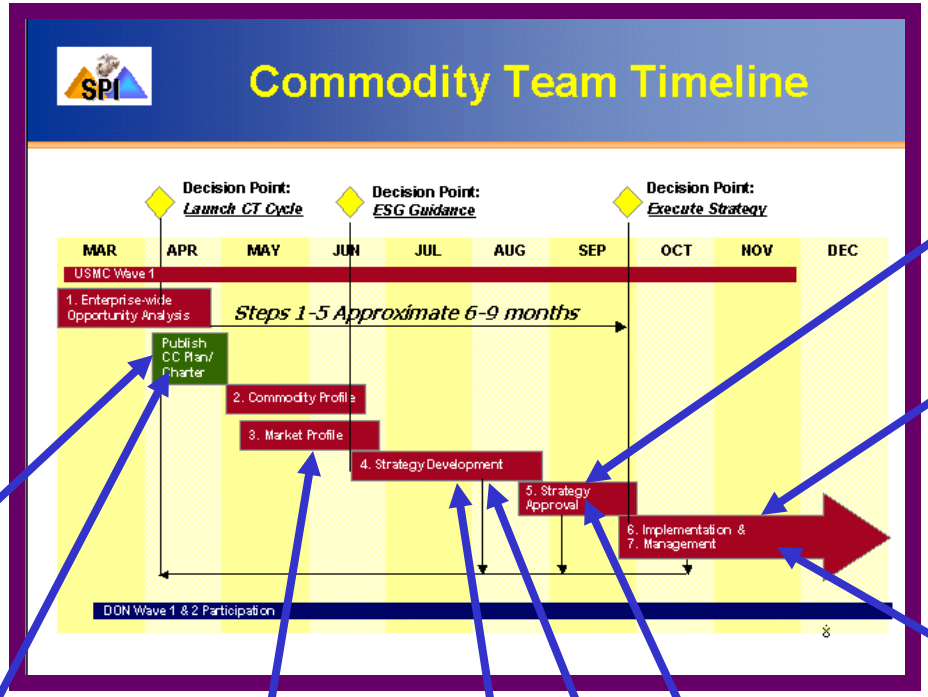

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